

# Committee on Resources

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## Testimony

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### Subcommittee on Water and Power

Tuesday, March 4, 1997

1324 Longworth HOB, 2:00 P.M.

**STATEMENT OF RODNEY L. ADELMAN  
ADMINISTRATOR  
ALASKA POWER ADMINISTRATION  
UNITED STATES DEPARTMENT OF ENERGY**

Chairman Doolittle, and members of the Subcommittee, I appreciate this opportunity to testify on Alaska Power Administration's FY 1998 budget request and on our progress in implementing the Alaska Power Administration Asset Sale and Termination Act (Title I of P.L. 104-58).

The mission of the Alaska Power Administration (APA) is to continue to encourage economic and industrial development in Alaska through implementation of the sale of APA assets in a manner consistent with the authorizing legislation, while balancing the interests of all of the stakeholders. APA will conduct an orderly and efficient transfer of assets and closeout, while continuing to provide our customers with reliable, low-cost hydroelectric energy during the transition.

The Alaska Power Administration markets power produced at its two hydroelectric generating projects located within the State of Alaska. The 30-mW Eklutna Project, authorized by the Eklutna Project Act of 1950, as amended, is located near Palmer, Alaska, about 34 miles northeast of Anchorage, and provides about 5% of the power requirements of the local Anchorage and Matanuska Valley areas. The 78-mW Snettisham Project, authorized by the 1962 Flood Control Act, as amended, is located in a remote area about 45 miles southeast of Juneau, and provides over 80% of the local Juneau and Douglas power requirements. Unlike the other PMAs, APA owns and operates all of its generation and transmission facilities.

In FY 1996, APA generated a record 446 million kWh of electrical energy, resulting in revenues of \$12.3 million, APA's highest revenue year on record. Revenues exceeded cash outlays by \$8.6 million, of which over \$4.8 million was paid to the U.S. Treasury for current interest and over \$3.5 million was applied against the outstanding Federal investment and deferred Crater Lake interest. Using a widely-recognized reliability formula, both our generation and transmission systems maintained average reliability rates of 99.97% in FY 1996, and better than 99% over the past five years. Additional information on APA's financial and program performance for FY 1996 is contained in the Alaska Power Administration 1996 Annual Report.

APA's FY 1998 budget request will provide \$1.0 million to support 11 FTEs, supplemented by \$1,327,000 in net billing authority, to continue administration and necessary operations and maintenance activities at its two hydroelectric projects during remaining Federal ownership. Preparation of both projects for transfer, including settlement of all outstanding land, dam safety, maintenance, and environmental issues, and the subsequent agency termination activities will continue utilizing the non-reimbursable funds appropriated in FY 1996 for APA Transition and Termination. Our FY 1998 budget request proposes no new starts and no

new funding arrangements, unless sales of our assets could be considered a new funding arrangement.

In FY 1991, APA began recognizing the unfunded liability for CSRS retirement benefits at a rate of approximately 14% of eligible employee compensation for the estimated expense of employee participation in CSRS. These costs are being recovered through rates and returned to the U.S. Treasury. Total expense and recovery for this unfunded liability was \$73,080 in FY 1996.

Finally, let me provide the Subcommittee with an update on the progress of our sale efforts. Public Law 104-58 authorizes and directs the Secretary of Energy to sell the assets of APA in accordance with the previously negotiated purchase agreements and to terminate the agency. The Transaction Date for the Eklutna Project is set for November 28, 1997. It will be sold to its three current power customers, (Anchorage) Municipal Light and Power, Chugach Electric Association, Inc., and Matanuska Electric Association, Inc. The Snettisham Project transfer is tentatively scheduled for mid-March, 1998, and it will be sold to an agency of the State of Alaska. However, should the State of Alaska experience delays in securing financing for the purchase of the Snettisham Project, its Transaction Date could be delayed to as late as August 20, 1998, the limit imposed by the terms of the Snettisham Purchase Agreement. Approximately \$85 million is expected to be realized from the sale of the two projects.

Several significant steps have been taken on the path to full implementation of the November 28, 1995, APA Asset Sale and Termination Act. Non-reimbursable transition and termination funding was provided through an appropriations transfer on April 26, 1996, as part of P.L. 104-134. A comprehensive Eklutna Transition Plan, required by the Eklutna Purchase Agreement, was signed by the three purchasers and APA on May 28, 1996. A similar plan for the Snettisham Project is expected to be signed by the end of the week. Snettisham Project staff were replaced by customer-provided staff, through net billing arrangements, on July 1, 1996. The State of Alaska's purchase and financing authorization bill for the Snettisham Project was signed by Governor Knowles on June 27, 1996, and the Federal authorization for the Snettisham financing arrangements was enacted on August 20, 1996, as part of the Small Business Job Protection Act (P.L. 104-188). An agreement with the Eklutna purchasers to contract with them for all operations, maintenance, and replacements at the Eklutna Project was implemented on October 1, 1996. A similar arrangement for the Snettisham Project was implemented on February 1, 1997. A comprehensive survey of Eklutna Project lands has been completed and all Coastal Zone Management and Historic Preservation issues have been resolved. Consistent with the transition of operations and maintenance activities to the purchasers/customers, APA staffing has been reduced from a level of 31 in the early summer of 1996 to a current level of 11 on board. Of the twenty employee separations experienced so far, only one employee has been unable to find other employment or be placed in another U.S. Civil Service position. Four additional separations are scheduled for this fiscal year. Also, we recently relinquished approximately 66% of our office space in Juneau, consistent with the staffing reductions. The most significant issues remaining to be addressed prior to transfer of the projects involve land title and rights-of-way, maintenance or "punch list" resolution and responsibility, and some minor environmental cleanup.

Mr. Chairman, that completes my testimony. I appreciate the support the full Committee and your Subcommittee have provided to APA in the past, and I look forward to working with you as we complete the sale of all APA assets and terminate the agency. I would be happy to answer any questions you may have.

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